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SUBJECT: BRAZIL'S OPPOSITION PSDB POSITIONING FOR 2008 AND 2010

REF: (A) SAO PAULO 878; (B) SAO PAULO 780;  
(C) SAO PAULO 777; (D) 06 SAO PAULO 1012;  
(E) 06 SAO PAULO 980; (F) 06 SAO PAULO 676

SENSITIVE BUT UNCLASSIFIED - PLEASE PROTECT ACCORDINGLY

1. (SBU) Summary: It is not true, according to Sao Paulo city official Andrea Matarazzo, that the Sao Paulo State Social Democracy Party of Brazil(PSDB) is divided between allies of Governor Jose Serra and supporters of former Governor (and 2006 presidential candidate) Geraldo Alckmin. Matarazzo, one of Governor Serra's top advisors, believes Alckmin wants to run for Mayor of Sao Paulo in 2008 for the job's own sake, and not as a stepping-stone to another run for the presidency in 2010. Though Minas Gerais Governor Aecio Neves, considered a strong Serra rival for the PSDB's 2010 presidential nomination, is "a factor" to be dealt with, Matarazzo is confident that Serra will be the nominee, perhaps with Neves as his running mate. He outlined some of the challenges facing the PSDB, including the high political cost of attacking a very popular President Lula. In Matarazzo's view, PSDB President Tasso Jereissati has provided no leadership, and the party has suffered as a result. He expects no surprises at the PSDB's National Congress in November, and predicts Senator Sergio Guerra of Pernambuco will be elected to replace Jereissati. At the same time, former President (1995-2002) Fernando Henrique Cardoso (FHC) still has a great deal of influence within the party. End Summary.

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SERRA'S "DIFFERENT MANAGEMENT MODEL"  
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2. (SBU) Consul General (CG) and Poloff met October 22 with Andrea Matarazzo, Assistant Mayor of Sao Paulo. Matarazzo (see refs D and F), a former Minister and Ambassador under Fernando Henrique Cardoso (FHC), noted that the Sao Paulo State Social Democracy Party of Brazil (PSDB) had held its convention over the weekend and elected a new state President. While many believe the state PSDB is divided between those loyal to Governor Serra and followers of former Governor Alckmin, this is nonsense, according to Matarazzo. In fact, the state PSDB is divided between pro-Serra and anti-Serra factions. Serra has a "different management model," in Matarazzo's

words, that involves "doing what has to be done," with no favors, no special interests, and no half-measures. Not everyone appreciates his management style; even some from within his own party disapprove of the way Serra does business. Per ref D, Matarazzo also understands that Serra's abrasive personal style often causes him problems with other politicians. Also, "the banks detest Serra" because they believe - wrongly, in Matarazzo's view - that he has nationalizing and interventionist tendencies. As Health Minister under FHC, Serra asserted Brazil's right to break the patents on HIV/AIDS medications. See Ref A for Matarazzo's description of Serra's role in the municipal government.

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THE DOWNSIDES OF OPPOSING LULA  
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13. (SBU) The PSDB is going through difficult times, Matarazzo acknowledged. Outgoing president Tasso Jereissati, Senator from Ceara, has provided "no leadership." President Lula remains popular and his government is largely unopposed. Lula is very intelligent and a great communicator but also very primitive and simplistic, appealing to the common people, Matarazzo said. Under his administration, the rich have gotten richer and the poor also saw their income grow. Lula has garnered all the credit for the "Bolsa Familia" (BF) cash transfer program, even though FHC created it. Lula removed the conditions of eligibility, which enabled him to expand it to where now about a quarter of the population receives a BF stipend. The polls show, Matarazzo said, that attacks on Lula will backfire.

14. (SBU) The Lula administration, in Matarazzo's view, also benefits from a climate of political correctness - "Anti-Americanism is a part of it, too" - in which people are afraid to criticize the

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government for fear of being accused of right-wing tendencies. Recent efforts by elements in the business community to articulate conservative positions have been puny and ineffective, he said, recalling the Civic Movement for Brazilians' Rights, aka "Cansei" (ref C), which has faded from view, and a recent demonstration organized by Paulo Skaf, President of the Sao Paulo State Federation of Industries (FIESP), against renewal of the Provisional Contribution on Financial Movements (CPMF - financial transactions tax). Organizers had hoped to attract 2 million protesters to downtown Sao Paulo on October 16 but got a turnout of about 15,000. Matarazzo commented that though the CPMF is unpopular in the business community, the federal government could not function without it. Thus, Governor Serra, who wants to be president, will not speak out against it. In fact, he was recently quoted as saying that "there are worse taxes" than the CPMF. The PSDB bloc in the Chamber of Deputies is working with Lula's Workers' Party (PT) and the government coalition on a compromise measure that would extend the CPMF with some modifications.

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RE-ELECTION: EXTEND IT OR END IT?  
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15. (SBU) Between now and 2010, Lula will work indirectly towards a third term, Matarazzo said. This will involve creating the political conditions to amend the Constitution via either plebiscite or Congressional action to allow him to run again. If that doesn't work, he will find someone to support and then plan to run again in 2015. This scenario presupposes a different Constitutional amendment, which the PSDB would support, repealing the 1997 re-election amendment and limiting the president to one five-year term (up from four years as is currently the case). Matarazzo thinks Lula will support Ciro Gomes of the Brazilian Socialist Party (PSB), his former Minister of National Integration now serving as a Federal Deputy. If elected president, Gomes would be a "nightmare" for the PSDB, Matarazzo opined, because he is "pathologically insane, sick." (Note: Others of our interlocutors, including FHC, have expressed similar opinions of Gomes, albeit in not quite the same language. See refs B and E. End Note.)

16. (SBU) Matarazzo acknowledged rivalries within the PSDB but does

not think they pose a serious problem. Serra will most likely be the candidate in 2010, though Minas Gerais Governor Aécio Neves is a factor and could oppose him. Most likely, Neves will end up as Serra's running mate, Matarazzo predicted in what might have been wishful thinking, under an amendment banning re-election or an agreement by Serra not to run again, leaving the way clear for Neves in 2014 or 2015. The PSDB and its main ally, the Democratic Party (DEM), will "walk together" in 2010 as they did in 2006, he said confidently.

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"WE CAN'T CAMPAIGN AGAINST ALCKMIN"  
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¶7. (SBU) The 2008 municipal elections pose a different problem. Matarazzo is sure former Governor Geraldo Alckmin wants to run for Mayor of São Paulo. Matarazzo, no fan of Alckmin, who defeated Serra for the 2006 presidential nomination, doubts that Alckmin is seeking a platform from which to run for president again in 2010. "I think he really wants to be Mayor. And quitting the office halfway through the term to run for another office won't work." The incumbent Mayor, Gilberto Kassab (DEM), is gaining popularity and wants to be re-elected, but, as Matarazzo put it, "The city government is probably 80 percent PSDB," including all 31 Assistant Mayors. "Kassab is doing well in a PSDB administration, but we can't run a campaign against Alckmin." In other words, if Alckmin wants to run, he will be the PSDB/DEM candidate, and Kassab will have to look for other work.

¶8. (SBU) Assessing the other side's chances, Matarazzo said PT former Mayor (2001-04) Marta Suplicy doesn't really want to run for Mayor in 2008. "There's too much disenchantment with her," especially after her ill-fated advice to travelers to "relax and

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enjoy" Brazil's aviation crisis and she wouldn't have an easy time of it. More likely, he predicted, Suplicy will wait until 2010 and run for Governor or Senator. "We have no name for Governor in 2010," he explained, referring to the PSDB/DEM coalition, unless Serra is for some reason unable to run for President and decides to seek a second term as Governor. But Serra is well positioned in the national party, Matarazzo said, and is developing a good record as Governor to run on. He is privatizing Nossa Caixa, the state-owned bank, and some state highways, and is working to improve transportation infrastructure. As reported ref A, Matarazzo praised Serra's non-nonsense approach to public security, focused on both prevention and repression.

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NO SURPRISES AT UPCOMING PSDB NATIONAL CONGRESS  
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¶9. (SBU) Looking to the PSDB National Congress, scheduled for late November in Brasília, Matarazzo foresaw no surprises. Sergio Guerra, Senator from Pernambuco who was Alckmin's national campaign coordinator in 2006, will be elected PSDB president, replacing Jereissati, without serious opposition, he predicted confidently. But he also noted that PSDB Honorary President FHC retains "great influence" within the party, even though he's spending much of his time teaching at Brown University and traveling abroad as part of a range of international activities.

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COMMENT  
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¶10. (SBU) After Serra resigned as Mayor to run for President, Andrea Matarazzo stayed behind in City Hall to ensure Serra's influence in the Kassab administration. Everything he says must be viewed through the prism of his long-standing friendship with Serra, to whom he is extremely loyal. He also remains close to FHC and undoubtedly knows much more than he is telling us about internal PSDB machinations. The PSDB/DEM coalition appears to be in a strong position in São Paulo for the 2008 elections and nationwide for 2010, if the PSDB can avoid the sort of destructive internecine dissension that hurt it last year. End Comment.

11. (U) This cable was coordinated with Embassy Brasilia.

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